

Message Text

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53

ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 SPC-03 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03

H-03 PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01

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R 081459Z JAN 74

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 9134

INFO AMEMBASSY BERN

AMEMBASSY LONDON

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 0089

E. O. 11652: N/A

TAGS: EFIN, SF

SUBJECT: SOUTH AFRICAN GOLD AND FOREIGN EXCHANGE RESERVES

REF: PRETORIA 4703

1. SOUTH AFRICAN RESERVE BANK HOLDINGS FOR WEEKS ENDING 21
AND 28 DECEMBER 1973 AS FOLLOWS (IN MILLION RAND):

	DEC. 21	DEC. 28
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GOLD	560.0 (DOWN 2.8)	558.7 (DOWN 1.3)
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FOREIGN EXCHANGE	285.9 (UP 2.0)	255.5 (DOWN 30.4)
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TOTAL	845.9 (DOWN 0.8)	814.2 (DOWN 31.7)
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2. YEAR-END GOLD AND FOREIGN EXCHANGE HOLDINGS DOWN R 122.4

MILLION FROM POSITION AT END 1972. WHILE GOLD HOLDINGS STAND SLIGHTLY ABOVE DECEMBER 31, 1972 LEVELS (R 558.7 MILLION COMPARED WITH R 529.7 MILLION), FOREIGN EXCHANGE RESERVES ARE OFF MORE THAN R 150 MILLION FROM A YEAR AGO (R 255.5 MILLION COMPARED WITH DECEMBER 31, 1972 FIGURE OF R 406.9 MILLION). SINCE RECORD HIGH LEVEL OF AUGUST 10, 1973 (R 1,261.1 MILLION), RESERVES HAVE DECLINED STEADILY AT AVERAGE RATE APPROXIMATELY R 22 MILLION PER WEEK. FACTORS CONTRIBUTING TO DECLINE INCLUDED SHARP UPWARD TREND IN IMPORTS, RECALCULATION OF RAND VALUES OF VARIOUS CURRENCY HOLDINGS, SWITCH FROM FOREIGN TO DOMESTIC FINANCING OF TRADE BECAUSE OF COMPARATIVE INTEREST RATES, AND PAYMENTS OF FOREIGN LOANS.

3. JOHANNESBURG STAR REPORTED JANUARY 2 THAT RAND RATE CLOSED 1973 ALMOST TEN PERCENT HIGHER THAN END DECEMBER 1972 RATE COMPARED AGAINST "MIXED BAG" OVERSEAS CURRENCIES. STAR NOTED THAT REVIVAL DERIVED LARGELY FROM STRENGTH US DOLLAR BUT ALSO PRAISED RESERVE BANK AND TREASURY FOR "BRILLIANT JUDGEMENT IN TWICE REPEGGING THE RAND..." ARTICLE STATED THAT "BOTH MOVES SHOWED THE DELICACY OF EXPERT HANDS AT THE REINS THAT STILL GUIDE THE RAND IN ITS INDEPENDENT COURSE," AND SPOKE OF "SUBTLETY OF THE NEW FORMULA (WHICH ALLOWS) SA TO MOVE THE RAND IN GENTLE CENTIMETERS." WHILE STAR TAKES POSITION THAT RAND LEVEL ABOUT RIGHT FOR THE MOMENT, IMPLICATION IS THAT IF DEVALUATION OCCURS, IT LIKELY TO MARK ANOTHER BRILLIANT STROKE BY MONEY MANAGERS. TALK OF DEVALUATION, MEANWHILE, CONTINUES APACE. STANDARD BANK RECENTLY COVERED \$7 MILLION AHEAD ON DOLLAR DEBTS IN ONE DAY AND OTHER LARGE BANKS TAKING SIMILAR PRECAUTION. AT ONE POINT DURING WEEK ENDED JANUARY 4, DEMAND FOR DOLLARS SO GREAT THAT RESERVE BANK CALLED HALT TO DOLLAR TRADING.

4. ON EVE GROUP OF TWENTY DEPUTIES MEETING IN ROME LATER THIS MONTH, SA FINANCIAL PUNDITS AGAIN EVANGELIZING RE NEW ROLE FOR GOLD IN REFORMED MONETARY SYSTEM. DOMINANT THEMES APPEAR BE THAT WORLDWIDE INFLATION THREATENS VALUE OF ALL PAPER CURRENCIES AND THAT ENERGY CRISIS HAS CREATED SITUATION IN WHICH GOLD WILL HAVE TO PLAY MORE IMPORTANT ROLE THAN THAT ENVISAGED BY IMF IN NAIROBI LAST SEPTEMBER. RECENT ARTICLES LIMITED OFFICIAL USE
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IN BOTH STAR AND PRETORIA NEWS INDICATED THAT SA EXPECTS FRANCE, ITALY AND "SOME OTHER COMMON MARKET COUNTRIES" TO PRESS FOR REVALUATION OF GOLD AS PART OF MECHANISM FOR SETTling INTER-GOVERNMENT DEBTS. BELIEF THAT GOLD WILL MAKE COMEBACK IN INTERNATIONAL MONETARY SYSTEM, ARTICLES STATE, APPEARS TO BE A FACTOR BEHIND CONTINUING RISE IN FREE MARKET PRICE OF THE METAL ON THE BULLION MARKET.
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